

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Global Expedited Package Services 6 (MC2016-149)
Negotiated Service Agreement

Docket No. CP2016-251

PUBLIC REPRESENTATIVE COMMENTS ON
NOTICE CONCERNING ADDITIONAL
GLOBAL EXPEDITED PACKAGE SERVICES 6
NEGOTIATED SERVICE AGREEMENT

(August 12, 2016)

Introduction

The Public Representative hereby provides comments pursuant to Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings¹. In that Notice, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on the “Notice of the United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 6 Negotiated Service Agreement (Notice).”²

Background

The GEPS 6 contracts provide incentives for mailers that send products directly to foreign destinations using Priority Mail Express International, Priority Mail International, or First Class Package International Service. *Notice at 4*. Prices offered under the contracts may differ depending on the volume or postage commitments made by the customers. *Id.* Prices also may differ depending upon when the agreement is signed, due to the incorporation of updated costing information. *Id.*

¹ Notice Initiating Docket(s) for Recent Postal Service Negotiated Service Agreement Filings, August 5, 2016.

² Notice of United States Postal Service of Filing a Functionally Equivalent Global Expedited Package Services 6 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, August 4, 2016 (Notice).

The Postal Service states that the agreement which is the subject of the instant docket (Agreement), is functionally equivalent to the baseline agreement that is subject of Docket No. CP2016-188. *Id* at 2-3.

The Notice outlines differences between the instant agreement and the baseline agreement, which include customer name and address, negotiated revenue commitment, identification of the customer's representative to receive notices, and revisions to Annex 1 and Annex 2. *Notice* at 5. The Postal Service states, however, that these differences do not alter the contracts' functional equivalency. *Id.* at 4.

Additionally, the Postal Service asserts that the instant agreement is in compliance with the requirements of 39 U.S.C. § 3633. *Id.* at 6.

The Postal Service intends to set the effective date of the Agreement once the Commission completes its review. *Notice* at 3. The duration of the contract extends for one calendar year from the effective date, however, "if the effective date of the agreement is not the first of the month, the agreement is set to expire on the last day of the month in which the effective date falls in the year subsequent to the effective date." *Id.*

Comments

The Public Representative has reviewed the Postal Service's Notice, the Agreement, and supporting financial model filed under seal accompanying the Notice. Based upon that review, the Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement. In addition, the negotiated prices in the Agreement should generate sufficient revenues to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633.

Functional Equivalence. The Public Representative finds that the Agreement features cost and market characteristics similar to the that of the baseline agreement as both agreements involve the same underlying shipping services. The differences between the instant agreement and the baseline agreement do preclude a finding that the agreements are functionally equivalent. The Public Representative concludes that the Agreement is functionally equivalent to the baseline agreement and should be added to the GEPS 6 product.

39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must ensure that each competitive product will cover its attributable costs; ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service; and, not result in the subsidization of competitive products by market dominant products.

The Postal Service's financial model does not directly address whether the addition of the Agreement to the GEPS 6 product will result in the product as a whole covering costs as required by 39 U.S.C. § 3633(a)(2). However, the financial model does indicate that the negotiated rates in the Agreement will generate sufficient revenues to cover its attributable costs. As such, the addition of the Agreement to the GEPS 6 product should allow the product to continue to comply with 39 U.S.C. § 3633(a)(2), and should not result in competitive products as a whole being subsidized by market dominant products, in accordance 39 U.S.C. § 3633(a)(1). Moreover, the GEPS 6 product should not affect the likelihood that competitive products as a whole contribute an appropriate share to the Postal Service's institutional costs, consistent with 39 U.S.C. § 3633(a)(3).

The Public Representative respectfully submits the preceding comments for the Commission's consideration.

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